

Message Text

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PAGE 01 NAIROB 11037 261551Z
ACTION EB-08

INFO OCT-01 AF-10 ISO-00 COME-00 TRSE-00 L-03 EUR-12
XMB-04 OPIC-06 /044 W
-----065676 261620Z /43
P 261336Z JUL 78
FM AMEMBASSY NAIROBI
TO SECSTATE WASHDC PRIORITY 9160

UNCLAS NAIROBI 11037

FOR TAYLOR, EB/MA

E.O. 11652: N/A
TAGS: EFIN, KE
SUBJ: RESTRICTIONS ON INSURANCE OPERATIONS IN KENYA

REF A. TAYLOR TO FARN LETTER, JULY 7, 1978
B. NAIROBI 4929

1. REF. B REPORTED ON THE BUDGET SPEECH IN WHICH THE GOK FINANCE MINISTER DIRECTED THAT NO FOREIGN EXCHANGE BE MADE AVAILABLE FOR INSURANCE OF IMPORTS. IN EFFECT THIS MEANS THAT KENYAN IMPORTERS MUST SECURE THEIR INSURANCE FROM COMPANIES LICENSED TO DO BUSINESS IN KENYA. THE PRIMARY REASON BEHIND THIS RESTRICTION IS TO CONSERVE FOREIGN EXCHANGE. THE FINANCE MINISTER ESTIMATED THAT KENYA COULD SAVE APPROXIMATELY 19 MILLION DOLLARS ANNUALLY BY THIS REQUIREMENT. THE CITED TELEGRAM REPORTS THAT KENYA IS LOOKING FORWARD TO BALANCE OF PAYMENTS DIFFICULTIES OVER THE NEXT FEW YEARS, AND THIS IS ONE MEASURE OF MANY THE GOVERNMENT IS TAKING TO CONSERVE FOREIGN EXCHANGE.

2. NO ONE IN THE INSURANCE INDUSTRY HERE WITH WHOM WE HAVE TALKED, INCLUDING AMERICAN AND BRITISH FIRMS, SEEMS UNDULY UPSET OVER THIS PROVISION. THERE ARE IN UNCLASSIFIED

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FACT, TWO UNITED STATES' COMPANIES WHICH OPERATE MARINE INSURANCE BUSINESS IN KENYA. THESE ARE THE AMERICAN INTERNATIONAL UNDERWRITERS (KNOWN LOCALLY AS THE AMERICAN LIFE INSURANCE COMPANY) AND THE ST. PAUL MARINE COMPANY. ACCORDING TO THE EXPATRIATE DIRECTORS OF THESE COMPANIES THEY CAN HANDLE ANY VOLUME OF MARINE BUSINESS IN KENYA.

3. IN DISCUSSIONS WUTH FOREIGN INSURANCE COMPANIES
HERE IN KENYA, THEY ALL EXPRESSED THE OPINION THAT THE
AMERICAN INSTITUTE OF MARINE UNDERWRITERS WAS OVER-
REACTING. THEY SUGGESTED IF FIRMS FELT CUT OUT OF THE
KENYA MARKET, THEY SHOULD ESTABLISH SOME RELATIONSHIP
WITH A FIRM LICENSED TO DO BUSINESS IN KENYA. ACCORDING
TO HESE SOURCES, THIS IS A RELATIVE EASY PROCEDURE
SIMILAR TO CORRESPONDENT BANKING AND DOES NOT REQUIRE
ANY PARTNERSHIP OR OTHER SUCH PERMANENT ARRANGEMENT.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: INSURANCE
Control Number: n/a
Copy: SINGLE
Draft Date: 26 jul 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 jan 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978NAIROB11037
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780306-0832
Format: TEL
From: NAIROBI
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780719/aaaaapoq.tel
Line Count: 72
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: fdfe576c-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 78 NAIROBI 4929
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 29 mar 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1880976
Secure: OPEN
Status: NATIVE
Subject: RESTRICTIONS ON INSURANCE OPERATIONS IN KENYA
TAGS: EFIN, KE
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/fdfe576c-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014